

July 30, 2015



Stratasys Reports Second Quarter 2015 Financial Results

Company reports \$182.3 million in revenue for the second quarter

Second quarter non-GAAP net income of \$8 million, or \$0.15 per diluted share; and GAAP net loss of \$23 million, or (\$0.55) per diluted share

Company provides update to financial guidance

MINNEAPOLIS & REHOVOT, Israel--(BUSINESS WIRE)-- [Stratasys Ltd.](http://www.stratasys.com) (NASDAQ:SSYS) today announced financial results for the second quarter of 2015.

Q2-2015 Financial Results Summary:

- Revenue for the second quarter of 2015 was \$182.3 million, compared to \$178.5 million for the same period last year;
- GAAP net loss for the second quarter was \$22.9 million, or (\$0.55) per diluted share, compared to GAAP net loss of \$173,000, or (\$0.00) per diluted share, for the same period last year.
- Non-GAAP net income for the second quarter was \$8 million, or \$0.15 per diluted share, compared to non-GAAP net income of \$28.0 million, or \$0.55 per diluted share, reported for the same period last year.
- The Company invested a net amount of \$22.5 million in R&D projects (non-GAAP basis) during the second quarter, representing 12% of revenues.
- The Company used \$15.6 million in cash for operations during the second quarter, and currently holds approximately \$502.6 million in cash and cash equivalents, and short term bank deposits. The cash balance includes a \$175 million drawdown on the Company's revolving credit facility.
- Non-GAAP EBITDA for the second quarter amounted to \$12.1 million.
- The Company sold 6,731 3D printing and additive manufacturing systems during the second quarter, and has sold a total of 135,928 systems worldwide as of June 30, 2015, on a pro forma combined basis.

"The merger between Stratasys and Objet in 2012 created synergies that combined with the heightened level of mainstream media attention within our industry, have contributed to a period of extraordinary growth for our company and industry over the past two years," said David Reis, chief executive officer of Stratasys. "We believe our industry is transitioning through a period of slower growth, as users digest their investments in 3D printing and expand the utilization of recently acquired capacity. Despite these headwinds, and certain ongoing macroeconomic challenges in Asia, we are encouraged by sequential improvement

in areas of our business, and remain optimistic about our longer-term growth prospects.”

Business Highlights:

- Strengthened presence in Germany, Switzerland, and Austria through the acquisition of a key German channel partner, RTC Rapid Technologies GmbH; and made additional North American channel enhancements with the addition of W.D. Distributing, WYNIT, and Sam’s Club.
- Partnered with CAD industry leader PTC, to provide improved integration between PTC Creo product design software and Stratasys 3D Printing Solutions.
- Enhanced high-end system capabilities with release of the Objet1000 Plus 3D Production System, providing significant speed improvements; as well as introduced a new high-volume filament packaging solution for Fortus 3D Production Systems.
- Observed significant expansion within the dental vertical, including the further adoption of our Stratasys PolyJet based solutions for the production of custom-made orthodontic products.
- Announced a multi-year collaboration with the Kangshua Group that includes providing up to 1,000 Solidscape high precision 3D printers to equip multiple new service bureaus and innovation centers in China; as well as the opening of a manufacturing facility, by Kangshua, to locally assemble Solidscape 3D printers for the Chinese market.
- Reorganized the MakerBot channel in Europe and Asia to help leverage the existing Stratasys go-to-market infrastructure within those regions.
- Completed a customer event for Stratasys Direct Manufacturing (SDM) that reached 239 customers and introduced the combined SDM organization as a total solution provider that focuses on applications from prototype to production.

“We are observing positive indicators and are beginning to see tangible results that reaffirm our strategy of developing targeted solutions within key market verticals,” continued Reis. “Short-term, we will continue to make adjustments to our expenses to align with current market conditions. Long-term, we remain committed to our growth initiatives that include enhancing vertical solution capabilities, expanding customer support services, accelerating product development, and growing the sales and marketing infrastructure – all of which are designed to drive future growth.”

2015 Guidance

Due to the Company’s limited visibility regarding the timing of improvements in growth, the Company has withdrawn its previously delivered full year 2015 financial guidance, and instead has provided financial guidance for the third quarter of 2015 as follows:

- Total revenue in the range of \$175 to \$190 million, with non-GAAP net income in the range of \$1.5 to \$7.0 million, or \$0.03 to \$0.13 per diluted share.
- GAAP net loss of \$27.0 million to \$22.5 million, or (\$0.52) to (\$0.43) per share.
- Non-GAAP earnings guidance excludes \$18 million of projected amortization of intangible assets; \$9.5 million to \$10.0 million of share-based compensation expense;

\$7 million to \$8 million in non-recurring expenses related to acquisitions; and includes \$6.0 million to \$6.5 million in tax expenses related to non-GAAP adjustments.

Stratasys Ltd. Q2-2015 Conference Call Details

Stratasys will hold a conference call to discuss its second quarter financial results on July 30, 2015 at 8:30 a.m. (ET).

The investor conference call will be available via live webcast on the Stratasys Web site at www.stratasys.com under the "Investors" tab; or directly at the following web address: <http://edge.media-server.com/m/p/izi2aqma>.

To participate by telephone, the domestic dial-in number is 800-901-5241 and the international dial-in is 617-786-2963. The access code is 55067799.

Investors are advised to dial into the call at least ten minutes prior to the call to register. The webcast will be available for 90 days on the "Investors" page of the Stratasys Web site or by accessing the provided web address.

Cautionary Statement Regarding Forward-Looking Statements

Certain statements in this press are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements are characterized by the use of forward-looking terminology such as "will," "expects," "anticipates," "continues," "believes," "should," "intended," "projected," "guidance," "preliminary," "future," "planned," "committed," and other similar words. These forward-looking statements include, but are not limited to, statements relating to the company's objectives, plans and strategies, statements of preliminary or projected results of operations or of financial condition and all statements that address activities, events or developments that the company intends, expects, projects, believes or anticipates will or may occur in the future. Forward-looking statements are not guarantees of future performance and are subject to risks and uncertainties. The company has based these forward-looking statements on assumptions and assessments made by its management in light of their experience and their perception of historical trends, current conditions, expected future developments and other factors they believe to be appropriate. Important factors that could cause actual results, developments and business decisions to differ materially from those anticipated in these forward-looking statements include, among other things: the company's ability to efficiently and successfully integrate the operations of Stratasys, Inc. and Objet Ltd. after their merger as well as MakerBot, Solid Concepts, and Harvest Technologies after their acquisitions and to successfully put in place and execute an effective post-merger integration plans; the overall global economic environment; the impact of competition and new technologies; general market, political and economic conditions in the countries in which the company operates; projected capital expenditures and liquidity; changes in the company's strategy; government regulations and approvals; changes in customers' budgeting priorities; litigation and regulatory proceedings; the company's ability to satisfy the financial covenants under its revolving credit facility; and those factors referred to under "Risk Factors", "Information on the Company", "Operating and Financial Review and Prospects", and generally in the company's annual report on Form 20-F for the year ended December 31, 2014 filed with the U.S. Securities and Exchange Commission (the "SEC"),

and in other reports that the company has filed with or furnished to the SEC on the date hereof. Readers are urged to carefully review and consider the various disclosures made in the company's SEC reports, which are designed to advise interested parties of the risks and factors that may affect its business, financial condition, results of operations and prospects. Any guidance and other forward-looking statements in this press release are made as of the date hereof, and the company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

Non-GAAP Discussion Disclosure

The information discussed within this release includes financial results and projections that are in accordance with accounting principles generally accepted in the United States of America (GAAP). In addition, certain non-GAAP financial measures have been provided excluding certain charges, expenses and income. The non-GAAP measures should be read in conjunction with the corresponding GAAP measures and should be considered in addition to, and not as an alternative or substitute for, the measures prepared in accordance with GAAP. The non-GAAP financial measures are included in an effort to provide information that investors may deem relevant to evaluate results from the company's core business operations and to compare the company's performance with prior periods. The non-GAAP financial measures primarily identify and exclude certain discrete items, such as merger-related expenses, amortization of intangible assets, one time write off of deferred tax assets, impairment charges, reorganization and other related costs, and expenses associated with share-based compensation required under ASC 718. The company uses these non-GAAP financial measures for evaluating comparable financial performance against prior periods.

This release is available on the Stratasys web site at www.stratasys.com

Stratasys Ltd. (Nasdaq:SSYS), headquartered in Minneapolis, Minnesota and Rehovot, Israel, is a leading global provider of 3D printing and additive manufacturing solutions. The company's patented FDM® and PolyJet™ 3D Printing technologies produce prototypes and manufactured goods directly from 3D CAD files or other 3D content. Systems include 3D printers for idea development, prototyping and direct digital manufacturing. Stratasys subsidiaries include MakerBot and Solidscape, and the company operates the digital parts manufacturing service Stratasys Direct Manufacturing. Stratasys has more than 2,900 employees, holds over 800 granted or pending additive manufacturing patents globally, and has received more than 30 awards for its technology and leadership. Online at: <http://www.stratasys.com> or <http://blog.stratasys.com>.

Stratasys Ltd.

Consolidated Balance Sheets

(in thousands)

| | June 30, 2015 | December 31, 2014 |
|---------------------------|------------------|----------------------|
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents | \$ 352,268 | \$ 442,141 |

| | | |
|--|---------------------------|----------------------------|
| Short-term bank deposits | 150,370 | 595 |
| Accounts receivable, net | 136,970 | 150,806 |
| Inventories | 137,394 | 123,385 |
| Net investment in sales-type leases | 10,091 | 8,170 |
| Prepaid expenses | 9,898 | 7,931 |
| Deferred income taxes | 30,567 | 25,697 |
| Other current assets | 31,420 | 37,903 |
| | <u>858,978</u> | <u>796,628</u> |
| Total current assets | | |
| Non-current assets | | |
| Goodwill | 1,172,125 | 1,323,502 |
| Other intangible assets, net | 517,085 | 597,903 |
| Property, plant and equipment, net | 185,992 | 157,036 |
| Net investment in sales-type leases - long term | 19,093 | 14,822 |
| Other non-current assets | 10,960 | 9,216 |
| | <u>1,905,255</u> | <u>2,102,479</u> |
| Total non-current assets | | |
| Total assets | <u><u>\$2,764,233</u></u> | <u><u>\$ 2,899,107</u></u> |
| LIABILITIES AND EQUITY | | |
| Current liabilities | | |
| Accounts payable | \$ 40,687 | \$ 37,359 |
| Short term debt | 175,000 | 50,000 |
| Accrued expenses and other current liabilities | 50,990 | 47,760 |
| Accrued compensation and related benefits | 45,230 | 42,332 |
| Obligations in connection with acquisitions | 12,003 | 28,092 |
| Deferred revenues | 48,821 | 45,023 |
| | <u>372,731</u> | <u>250,566</u> |
| Total current liabilities | | |
| Non-current liabilities | | |
| Obligations in connection with acquisitions - long term | 12,761 | 26,461 |
| Deferred tax liabilities | 36,293 | 55,835 |
| Deferred revenues - long-term | 6,069 | 5,946 |
| Other non-current liabilities | 26,677 | 25,091 |
| | <u>81,800</u> | <u>113,333</u> |
| Total non-current liabilities | | |
| Total liabilities | <u>454,531</u> | <u>363,899</u> |
| Redeemable non-controlling interests | 2,564 | 3,969 |
| Equity | | |
| Ordinary shares, NIS 0.01 nominal value, authorized 180,000 shares; 51,669 and 50,923 shares issued and outstanding at June 30, 2015 and December 31, 2014, respectively | 140 | 139 |
| Additional paid-in capital | 2,587,168 | 2,568,149 |
| Accumulated deficit | (273,090) | (33,871) |
| Accumulated other comprehensive loss | (7,429) | (3,647) |
| Equity attributable to Stratasys Ltd. | <u>2,306,789</u> | <u>2,530,770</u> |
| Non-controlling interest | 349 | 469 |
| Total equity | <u>2,307,138</u> | <u>2,531,239</u> |
| Total liabilities and equity | <u><u>\$2,764,233</u></u> | <u><u>\$ 2,899,107</u></u> |

Stratasys Ltd.**Consolidated Statements of Operations***(in thousands, except per share data)*

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|--|------------------------------------|--------------------|----------------------------------|--------------------|
| | 2015 | 2014 | 2015 | 2014 |
| | (unaudited) | (unaudited) | (unaudited) | (unaudited) |
| Net sales | | | | |
| Products | \$ 134,490 | \$ 154,090 | \$ 261,157 | \$ 283,342 |
| Services | 47,832 | 24,375 | 93,896 | 46,064 |
| | <u>182,322</u> | <u>178,465</u> | <u>355,053</u> | <u>329,406</u> |
| Cost of sales | | | | |
| Products | 67,666 | 73,394 | 166,037 | 134,416 |
| Services | 31,748 | 13,437 | 60,020 | 25,628 |
| | <u>99,414</u> | <u>86,831</u> | <u>226,057</u> | <u>160,044</u> |
| Gross profit | <u>82,908</u> | <u>91,634</u> | <u>128,996</u> | <u>169,362</u> |
| Operating expenses | | | | |
| Research and development, net | 25,506 | 18,957 | 52,744 | 35,728 |
| Selling, general and administrative | 97,581 | 77,929 | 200,189 | 145,546 |
| Goodwill impairment | - | - | 150,400 | - |
| Change in the fair value of obligations in connection with acquisitions | (6,680) | 628 | (19,936) | (6,867) |
| | <u>116,407</u> | <u>97,514</u> | <u>383,397</u> | <u>174,407</u> |
| Operating loss | <u>(33,499)</u> | <u>(5,880)</u> | <u>(254,401)</u> | <u>(5,045)</u> |
| Financial income (expense) | (711) | 337 | (5,835) | (999) |
| Loss before income taxes | <u>(34,210)</u> | <u>(5,543)</u> | <u>(260,236)</u> | <u>(6,044)</u> |
| Income tax benefit | (11,066) | (5,370) | (20,688) | (9,958) |
| Net income (loss) | <u>(23,144)</u> | <u>(173)</u> | <u>(239,548)</u> | <u>3,914</u> |
| Net loss attributable to non-controlling interest | (213) | - | (329) | - |
| Net income (loss) attributable to Stratasys Ltd. | <u>\$ (22,931)</u> | <u>\$ (173)</u> | <u>\$ (239,219)</u> | <u>\$ 3,914</u> |
| Net income (loss) per ordinary share attributable to Stratasys Ltd. | | | | |
| Basic | \$ (0.48) | \$ (0.00) | \$ (4.71) | \$ 0.08 |
| Diluted | (0.55) | (0.00) | (4.77) | 0.08 |
| Weighted average ordinary shares outstanding | | | | |
| Basic | 51,405 | 49,373 | 51,181 | 49,323 |
| Diluted | 51,870 | 49,373 | 51,413 | 51,238 |

Stratasys Ltd.**Reconciliation of GAAP to Non-GAAP Results of Operations***(in thousands, except per share data)*

| | Three Months Ended June 30, 2015 | | | Three Months Ended June 30, 2014 | | |
|--|----------------------------------|------------------|-------------------------|----------------------------------|------------------|-------------------------|
| | GAAP (unaudited) | Adjustments* | Non-GAAP (unaudited) | GAAP (unaudited) | Adjustments* | Non-GAAP (unaudited) |
| Net sales | | | | | | |
| Products | \$ 134,490 | \$ - | \$ 134,490 | \$ 154,090 | \$ - | \$ 154,090 |
| Services | 47,832 | - | 47,832 | 24,375 | - | 24,375 |
| | <u>182,322</u> | <u>-</u> | <u>182,322</u> | <u>178,465</u> | <u>-</u> | <u>178,465</u> |
| Cost of sales | | | | | | |
| Products | 67,666 | (15,975) | 51,691 | 73,394 | (14,739) | 58,655 |
| Services | 31,748 | (841) | 30,907 | 13,437 | (340) | 13,097 |
| | <u>99,414</u> | <u>(16,816)</u> | <u>82,598</u> | <u>86,831</u> | <u>(15,079)</u> | <u>71,752</u> |
| Gross profit | <u>82,908</u> | <u>16,816</u> | <u>99,724</u> | <u>91,634</u> | <u>15,079</u> | <u>106,713</u> |
| Operating expenses | | | | | | |
| Research and development, net | 25,506 | (3,016) | 22,490 | 18,957 | (1,318) | 17,639 |
| Selling, general and administrative | 97,581 | (24,020) | 73,561 | 77,929 | (17,617) | 60,312 |
| Change in the fair value of obligations in connection with acquisitions | (6,680) | 6,680 | - | 628 | (628) | - |
| | <u>116,407</u> | <u>(20,356)</u> | <u>96,051</u> | <u>97,514</u> | <u>(19,563)</u> | <u>77,951</u> |
| Operating income (loss) | <u>(33,499)</u> | <u>37,172</u> | <u>3,673</u> | <u>(5,880)</u> | <u>34,642</u> | <u>28,762</u> |
| Financial income (expense) | (711) | - | (711) | 337 | - | 337 |
| Income (loss) before income taxes | <u>(34,210)</u> | <u>37,172</u> | <u>2,962</u> | <u>(5,543)</u> | <u>34,642</u> | <u>29,099</u> |
| Income taxes (benefit) | (11,066) | 6,279 | (4,787) | (5,370) | 6,475 | 1,105 |
| Net income (loss) | <u>(23,144)</u> | <u>30,893</u> | <u>7,749</u> | <u>(173)</u> | <u>28,167</u> | <u>27,994</u> |
| Net loss attributable to non-controlling interest | (213) | - | (213) | - | - | - |
| Net income (loss) attributable to Stratasys Ltd. | <u>\$ (22,931)</u> | <u>\$ 30,893</u> | <u>\$ 7,962</u> | <u>\$ (173)</u> | <u>\$ 28,167</u> | <u>\$ 27,994</u> |
| Net income (loss) per ordinary share attributable to Stratasys Ltd. | | | | | | |
| Basic | \$ (0.48) | | \$ 0.15 | \$ (0.00) | | \$ 0.57 |
| Diluted | (0.55) | | 0.15 | (0.00) | | 0.55 |
| Weighted average ordinary shares outstanding | | | | | | |
| Basic | 51,405 | | 51,405 | 49,373 | | 49,373 |
| Diluted | 51,870 | | 52,705 | 49,373 | | 51,196 |

The Company considers these non-GAAP measures to be indicative of its core operating results and facilitates a comparison of operating results across reporting periods. The Company uses these non-GAAP measures when evaluating its financial results as well as for internal planning and forecasting purposes, however these measures should not be viewed as a substitute for the Company's GAAP results.

* Refer to the "Reconciliation of Non-GAAP Adjustments" herein for further information regarding adjustments.

Stratasys Ltd.

Reconciliation of GAAP to Non-GAAP Results of Operations

(in thousands, except per share data)

| | Six Months Ended June 30, 2015 | | | Six Months Ended June 30, 2014 | | |
|---|--------------------------------|--------------------------|------------------------|--------------------------------|-------------------------|-------------------------|
| | GAAP | Adjustments* | Non-GAAP | GAAP | Adjustments* | Non-GAAP |
| Net sales | | | | | | |
| Products | \$ 261,157 | \$ - | \$261,157 | \$283,342 | \$ 235 | \$283,577 |
| Services | 93,896 | - | 93,896 | 46,064 | - | 46,064 |
| | <u>355,053</u> | <u>-</u> | <u>355,053</u> | <u>329,406</u> | <u>235</u> | <u>329,641</u> |
| Cost of sales | | | | | | |
| Products | 166,037 | (61,887) | 104,150 | 134,416 | (28,468) | 105,948 |
| Services | 60,020 | (2,250) | 57,770 | 25,628 | (774) | 24,854 |
| | <u>226,057</u> | <u>(64,137)</u> | <u>161,920</u> | <u>160,044</u> | <u>(29,242)</u> | <u>130,802</u> |
| Gross profit | <u>128,996</u> | <u>64,137</u> | <u>193,133</u> | <u>169,362</u> | <u>29,477</u> | <u>198,839</u> |
| Operating expenses | | | | | | |
| Research and development, net | 52,744 | (5,833) | 46,911 | 35,728 | (2,813) | 32,915 |
| Selling, general and administrative | 200,189 | (56,864) | 143,325 | 145,546 | (31,140) | 114,406 |
| Goodwill impairment | 150,400 | (150,400) | - | - | - | - |
| Change in the fair value of obligations in connection with acquisitions | (19,936) | 19,936 | - | (6,867) | 6,867 | - |
| | <u>383,397</u> | <u>(193,161)</u> | <u>190,236</u> | <u>174,407</u> | <u>(27,086)</u> | <u>147,321</u> |
| Operating income (loss) | <u>(254,401)</u> | <u>257,298</u> | <u>2,897</u> | <u>(5,045)</u> | <u>56,563</u> | <u>51,518</u> |
| Financial expense | (5,835) | - | (5,835) | (999) | - | (999) |
| Income (loss) before income taxes | <u>(260,236)</u> | <u>257,298</u> | <u>(2,938)</u> | <u>(6,044)</u> | <u>56,563</u> | <u>50,519</u> |
| Income taxes (benefit) | (20,688) | 8,093 | (12,595) | (9,958) | 11,884 | 1,926 |
| Net income (loss) | <u>(239,548)</u> | <u>249,205</u> | <u>9,657</u> | <u>3,914</u> | <u>44,679</u> | <u>48,593</u> |
| Net loss attributable to non-controlling interest | (329) | - | (329) | - | - | - |
| Net income (loss) attributable to Stratasy Ltd. | <u><u>\$(239,219)</u></u> | <u><u>\$ 249,205</u></u> | <u><u>\$ 9,986</u></u> | <u><u>\$ 3,914</u></u> | <u><u>\$ 44,679</u></u> | <u><u>\$ 48,593</u></u> |
| Net income (loss) per ordinary share attributable to Stratasy Ltd. | | | | | | |
| Basic | \$ (4.71) | | \$ 0.20 | \$ 0.08 | | \$ 0.99 |
| Diluted | (4.77) | | 0.19 | 0.08 | | 0.95 |
| Weighted average ordinary shares outstanding | | | | | | |
| Basic | 51,181 | | 51,181 | 49,323 | | 49,323 |
| Diluted | 51,413 | | 52,524 | 51,238 | | 51,221 |

The Company considers these non-GAAP measures to be indicative of its core operating results and facilitates a comparison of operating results across reporting periods. The Company uses these non-GAAP measures when evaluating its financial results as well as for internal planning and forecasting purposes, however these measures should not be viewed as a substitute for the Company's GAAP results.

* Refer to the "Reconciliation of Non-GAAP Adjustments" herein for further information regarding adjustments.

Stratasys Ltd.

Reconciliation of Non-GAAP Adjustments

(in thousands)

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|--|-----------------------------|------------------|---------------------------|------------------|
| | 2015 | 2014 | 2015 | 2014 |
| Net sales, products | | | | |
| Deferred revenue step-up | \$ - | \$ - | \$ - | \$ 235 |
| Cost of sales, products | | | | |
| Acquired intangible assets amortization | (12,301) | (14,029) | (27,206) | (27,254) |
| Other intangible assets impairment | - | - | (29,782) | - |
| Non-cash stock-based compensation expense | (1,237) | (710) | (2,462) | (1,214) |
| Reorganization and other related costs | (2,437) | - | (2,437) | - |
| | <u>(15,975)</u> | <u>(14,739)</u> | <u>(61,887)</u> | <u>(28,468)</u> |
| Cost of sales, services | | | | |
| Non-cash stock-based compensation expense | (560) | (324) | (1,168) | (732) |
| Reorganization and other related costs | (75) | - | (75) | - |
| Merger and acquisition related expense | (206) | (16) | (1,007) | (42) |
| | <u>(841)</u> | <u>(340)</u> | <u>(2,250)</u> | <u>(774)</u> |
| Research and development, net | | | | |
| Non-cash stock-based compensation expense | (1,506) | (885) | (3,374) | (1,823) |
| Reorganization and other related costs | (617) | - | (617) | - |
| Merger and acquisition related expense | (893) | (433) | (1,842) | (990) |
| | <u>(3,016)</u> | <u>(1,318)</u> | <u>(5,833)</u> | <u>(2,813)</u> |
| Selling, general and administrative | | | | |
| Acquired intangible assets amortization | (5,684) | (5,507) | (12,140) | (10,871) |
| Non-cash stock-based compensation expense | (6,261) | (5,159) | (12,320) | (10,045) |
| Merger and acquisition related expense | (5,937) | (6,951) | (12,842) | (10,224) |
| Reorganization and other related costs | (6,138) | - | (6,139) | - |
| Impairment charges | - | - | (13,423) | - |
| | <u>(24,020)</u> | <u>(17,617)</u> | <u>(56,864)</u> | <u>(31,140)</u> |
| Goodwill impairment | - | - | (150,400) | - |
| Change in the fair value of obligations in connection with acquisitions | | | | |
| Change in the fair value of obligations in connection with acquisitions | 6,680 | (628) | 19,936 | 6,867 |
| Income taxes | | | | |
| Tax expense related to non-GAAP adjustments | 6,279 | 6,475 | 8,093 | 11,884 |
| Net income | <u>\$ 30,893</u> | <u>\$ 28,167</u> | <u>\$ 249,205</u> | <u>\$ 44,679</u> |

Stratasys Ltd.

Reconciliation of GAAP to Non-GAAP Forward Looking Guidance

Three Months Ended September 30, 2015

(in millions, except per share data)

GAAP net loss (\$27) to (\$22.5)

Adjustments

| | |
|---|------------------|
| Stock-based compensation expense | \$9.5 to \$10 |
| Intangible assets amortization expense | \$18 |
| Merger related expense | \$7 to \$8 |
| Tax expense related to Non-GAAP adjustments | (\$6) to (\$6.5) |

Non-GAAP net income \$1.5 to \$7

GAAP loss per share (\$0.52) to (\$0.43)

Non-GAAP diluted earnings per share \$0.03 to \$0.13

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